

Decision **PROPOSED DECISION OF ALJ BURCHAM** (Mailed 11/23/2015)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Park Water
Company (U314W) for Authority to Increase
Rates Charged for Water Service by \$2,918,800 or
8.72% in 2016, \$2,422,093 or 6.63% in 2017, and
\$1,598,099 or 4.08% in 2018.

Application 15-01-001
(Filed January 2, 2015)

**DECISION RESOLVING PARK WATER COMPANY'S
2015 GENERAL RATE CASE**

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**DECISION RESOLVING PARK WATER COMPANY'S
2015 GENERAL RATE CASE**

Summary

This decision resolves the Park Water Company 2015 general rate case by granting the joint motion for adoption of a partial settlement between Park and the Commission's Office of Ratepayer Advocates, and authorizing a revenue requirement for Park for the years 2016, 2017 and 2018. It also resolves the litigated issues and sets the California Alternative Rates for Water Credit and Surcharge, and denies Park Water Company's requests to establish a Sales Reconciliation Mechanism and a Perchlorate Memorandum Account. A revenue requirement of \$33,288,500 is adopted for 2016, which represents a 6.18 percent increase over current rates. The impact on the average residential customer will be an increase in rates of \$5.91 per month for 2016. The proceeding is closed.

1. Procedural Background

On January 2, 2015, Park Water Company (Park) filed its general rate case (GRC) Application (A.)15-01-001. The Commission's Office of Ratepayer Advocates (ORA) filed a timely protest to this Application on February 5, 2015. A prehearing conference (PHC) was held March 25, 2015 in the Commission's San Francisco courtroom, with Park and ORA present. The scoping memo of the assigned Commissioner and Administrative Law Judge (ALJ) was issued on April 10, 2015, setting out the scope and schedule of the proceeding.

On April 29, 2015, public participation hearings (PPHs) were held at 2:00 p.m. and 7:00 p.m. in Bellflower. At the 2:00 p.m. hearing, 38 people attended and 17 spoke; at the 7:00 p.m. hearing, 37 people attended and 10 spoke. All speakers at both PPHs expressed opposition to any rate hikes. Many said they are on moderate or fixed incomes, and Park's rates are significantly

higher than the rates of their neighbors who are served by a municipal water utility. Several speakers expressed frustration that due to the drought they are being asked to use less water but pay more for it. In addition, three people submitted written comments to the Public Advisor's Office. One expressed opposition to any rate hike, concern about Park's water quality, and opposition to paying the California Alternative Rates for Water (CARW) surcharge. The second expressed opposition to any rate hike and noted that Golden State Water, which serves a neighboring area, was asking for a small decrease in rates in its GRC for the first year, and increases of approximately three percent in their second and third years. This customer also expressed frustration that it would be charged more for using too little or too much water. The third commenter suggested that those who use water during the day should be charged more, and those who use water in the early morning or late at night should be charged less.

Although the comments received during the PPHs and in written correspondence are not accorded the weight of testimony received during evidentiary hearings, the public comments helped to highlight the issues of greatest concern to customers.

On May 6, 2015, ORA served its Report on the Results of Operations (ORA Report). On May 22, 2015, Park served its rebuttal testimony. An evidentiary hearing was held on June 9, 2015 in Los Angeles. The parties reached a tentative settlement on all but three issues, one of which--Park's request to establish a perchlorate memorandum account--was the subject of the evidentiary hearing. The remaining issues, the amounts of the CARW credit and CARW surcharge, and Park's request to implement a Sales Reconciliation Mechanism, were briefed by the parties.

Opening briefs were filed by the parties on July 13, 2015. Reply briefs were filed on August 4, 2015. The parties filed a joint motion to approve a settlement agreement and the required comparison exhibit on August 14, 2015.

On July 13, 2015, Park filed an unopposed motion for interim rate relief pursuant to Code § 455.2, to allow Park to continue charging rates currently authorized in its tariff, and to track the difference between the authorized interim rates and the final rates authorized in this decision in the event the Commission is unable to issue a final decision on Park's application in time to have the new rates effective on January 1, 2016. On October 27, 2015, the assigned ALJ issued a ruling granting Park's motion, and directing Park to file a Tier 1 Advice letter with the Commission implementing the interim rates, and establishing a Memorandum Account to track the authorized interim rates for a later true-up with the rates authorized in this decision in the event a final decision on this GRC is not in effect in time for new rates to be effective January 1, 2016.

2. Overview of the Settlement

Park and ORA, the only parties to the proceeding, settled all but three of the issues in this GRC.¹ The settled issues we approve are identified below, as explained in more detail in the motion to adopt the settlement agreement:

- Water Consumption and Revenues
- Customer Service
- Operations and Maintenance
- Administrative and General Expense

¹ The settlement agreement between Park and ORA can be found at <http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=154225571>, a copy of which is attached hereto as Exhibit A.

- Taxes (other than income)
- Income Taxes
- Utility Plant in Service
- Depreciation Rates, Reserve and Depreciation Expense
- Rate Base
- Miscellaneous Revenues
- Rate Design - residential and non-residential
- Water Quality
- Memorandum and Balancing Accounts
- Special Requests
- Water Revenue Adjustment Mechanism/Modified Cost Balancing Account
- Low-Income Program (CARW)

The parties' specific agreements as a result of the settlement are:²

- Continue the existing Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Accounts (MCBA) pursuant to Section 18;
- Authorize recovery of the under-collected balance in Park's California Alternative Rates for Water (CARW) Revenue Reallocation Balancing Account (\$526,141 as of December 31, 2014) pursuant to Section 19.0;
- Authorize recovery of the under-collected balance in Park's Cost of Capital Memorandum Account (\$28,093 as of December 31, 2014) pursuant to Section 16.5;
- Authorize recovery of the under-collected balance in Park's Low-Income Customer Data Sharing Cost Memorandum

² The joint comparison exhibit showing the respective positions of the parties on various issues is attached hereto as Exhibit B.

Account (\$17,989 as of December 31, 2014) pursuant to Section 16.3;

- Authorize the refund of the over-collected balance in the Park's Credit Card Balancing Account (estimate of \$5,183 as of December 31, 2015) pursuant to Section 16.4;
- Make a finding that Park meets all applicable water quality standards based upon ORA's review of water quality testimony and information provided by Park;
- Make a finding that Park is in compliance with the Real Property Subject to the Water Infrastructure Improvement Act of 1996;
- Order the filing of advice letters to implement increases for Escalation Years 2017 and 2018;
- Find that Park's third party contracts with HomeServe and Park's maintenance contracts with Central Basin Municipal Water District, that are subject to the Excess Capacity Decision (D.) 00-07-018 and Non-Tariffed Products & Services Rules in D.10-10-019 (Appendix A, Rule X) for unregulated transactions, are properly reflected in Park's revenue requirement;
- Authorize and implement all other agreements of the Parties contained in the Settlement; and
- Adopt a net-to-gross multiplier of 1.782332 for this GRC cycle.

3. The Settlement

As the applicant, Park bears the burden of proof to show that the regulatory relief it requests is just and reasonable and the related ratemaking mechanisms are fair. In order for the Commission to consider whether a proposed settlement is in the public interest, the Commission must be convinced the parties had a thorough understanding of the application and all of the underlying assumptions and data included in the record. The

requirements for adopting a settlement are set forth in Rule 12.1(a) of the Commission's Rules of Practice and Procedure,³ which states:

Parties may, by written motion any time after the first prehearing conference and within 30 days after the last day of hearing, propose settlements on the resolution of any material issue of law or fact or on a mutually agreeable outcome to the proceeding. Settlements need not be joined by all parties; however, settlements in applications must be signed by the applicant....

When a settlement pertains to a proceeding under a Rate Case Plan or other proceeding in which a comparison exhibit would ordinarily be filed, the motion must be supported by a comparison exhibit indicating the impact of the settlement in relation to the utility's application and, if the participating staff supports the settlement, in relation to the issues staff contested, or would have contested, in a hearing.

Rule 12.1(d) provides that:

The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with the law, and in the public interest.

Rule 12.5 limits the future applicability of a settlement:

Commission adoption of a settlement is binding on all parties to the proceeding in which the settlement is proposed. Unless the Commission expressly provides otherwise, such adoption does not constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding.

³ All referenced Rules are the Commission's Rules of Practice and Procedure.
<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&DocID=154622266>

We must find whether the settlement complies with Rule 12.1(d), which requires a settlement to be “reasonable in light of the whole record, consistent with law, and in the public interest.”

The record consists of all filed documents, served and filed testimony, the proposed settlement and the motion for its adoption. The settlement resolves nearly all issues in this GRC and in the ORA Report of Operations.

Park represents the utility and its shareholders, while ORA represents the interests of ratepayers. The settlement is the result of extensive and vigorous negotiations. The parties to the settlement have a thorough understanding of the issues and all of the underlying assumptions and data, and could therefore make informed decisions in the settlement process.

The Commission could have resolved the issues in favor of either of the parties. Accordingly, the settling parties have balanced a variety of issues of importance to them and have agreed to the settlement as a reasonable means by which to resolve the issues. For the reasons discussed above, the settlement is reasonable in light of the record as a whole.

There are no terms within the settlement agreement that would bind the Commission in the future or violate existing law. Therefore, we find the settlement consistent with the law.

There is a public policy favoring the settlement of disputes to avoid costly and protracted litigation.⁴ The settlement satisfies this public policy preference for the following reasons:

⁴ Decision (D.) 88-12-083, 30 CPUC 2d 189, 221.

- a. The sponsors of the settlement represent the interests of Park and its shareholders as well as Park's customers, the ratepayers.
- b. The settlement serves the public interest by resolving competing concerns in a collaborative and cooperative manner.
- c. By reaching agreement, the parties avoid the costs and uncertainties of further litigation in this proceeding, and eliminate the possible litigation costs for rehearing and appeal. Approval of the settlement provides speedy and complete resolution of the issues.
- d. The settlement meets the applicable settlement standards of Rule 12.1(d), should be accorded the same deference the Commission accords settlements generally, and should be adopted.

Adoption of the settlement is binding on all parties to the proceeding. However, pursuant to Rule 12.5, the settlement does not bind or otherwise impose a precedent in this or any future proceeding.

The settling parties addressed and resolved the issues identified in the proceeding.⁵ The settlement terms ensure customers have access to a safe and reliable water supply at a reasonable cost,⁶ and Park and its shareholders will receive a reasonable rate of return on their investments. We therefore conclude that the settlement is in the public interest.

4. Litigated Issues

The Settlement Agreement between Park and ORA did not resolve three issues which we resolve in this decision. On the litigated issues, we adopt Park's

⁵ The joint comparison exhibit showing the positions of the parties on various issues is attached hereto as Exhibit B.

⁶ A revenue calculation and rate table showing the impact of Park's approved revenue requirement for 2016 on the average residential customer is attached hereto as Exhibit C.

recommendation raising the CARW credit and surcharge by the same percentage as the revenue requirement increase for each year, and adopt ORA's recommendations that we decline to authorize the establishment of a Sales Reconciliation Mechanism or a Perchlorate Memorandum Account.

a. CARW Credit and Surcharge

Park's Low-Income Ratepayer Assistance Program, known as California Alternative Rates for Water (CARW), was authorized by the Commission in D.06-10-036 and became effective on January 1, 2007. The CARW program currently authorized for Park consists of a \$6.65 per month credit for qualifying customers who meet the income eligibility requirements established annually by the Commission. The eligibility income guidelines are based on the Commission guidelines established for the California Alternate Rates for Energy (CARE).⁷ Customers already enrolled in the Southern California Edison's or the Gas Company's CARE programs are automatically eligible for Park's CARW program. Pursuant to the Commission's guidelines, customers self-certify their eligibility for the CARW program through completion of Park's CARW program application. Park's CARW program is limited to residential domestic service with a 1-inch or smaller meter. The CARW program is funded by a surcharge applicable to all metered customers, except customers receiving a CARW credit, non-metered fire service, or reclaimed water service.⁸

⁷ Exh. P-1 (Revenue Requirements Report) at 18

⁸ Exh. P-1 at 18

Park's Position

Park initially requested authorization to raise the CARW credit and surcharge by the overall percentage increase in the revenue requirement originally requested in this proceeding, from the current \$6.65 per month credit to \$8.02 per month, which is approximately seven percent of an average residential customer bill.

As a result of D.11-05-020 (adopting rules and guidelines regarding the sharing of utility data pertaining to low-income ratepayers), the number of CARW program enrollees increased from 2,084 in 2011, to 12,616 in 2014, which is approximately 45 percent of Park's residential customer base.

Park further requests the Commission authorize the recovery of the under-collection recorded in the CARW Balancing Account, as of December 31, 2014, in the amount of \$526,141, through a 12-month temporary surcharge.

ORA's Position

The Commission should deny Park's request to modify the CARW credit amount, and maintain Park's current credit of \$6.65 per month. Since the number of participants in the CARW program has increased fivefold over the last three years, ORA is concerned with the burden this surcharge places on those paying it. Thus, ORA recommends leaving unchanged the \$6.65 per month credit provided to eligible customers.

Discussion

We will adopt a compromise by granting an increase in the CARW credit by the same percentage (6.18 percent) as the increased revenue requirement. As a result, the current CARW credit amount of \$6.65 per month for qualifying households will be increased to \$7.06 per month in 2016, an increase of \$0.41 per month. The CARW surcharge will increase to \$7.12 per month. The CARW

credits and surcharges for 2017 and 2018 will be adjusted by the same percentage as the revenue requirement adjustments for each of these years. We also will approve Park's request to recover funds from the under-collection in the CARW Balancing Account as of December 31, 2014.

We acknowledge ORA's concerns about the affordability of any increased CARW surcharge for those customers who are paying for the subsidy. Park's service area is comprised of mostly working-class residents with below-average median household incomes of \$42,953 for customers living in the City of Compton, and \$49,637 for those living in the City of Bellflower. By contrast, the median income in California was reported as \$61,094 for the same period.⁹

Park's recommendation would result in a slight benefit to its lowest income ratepayers who qualify for the credit, and ORA's recommendation would result in a slight benefit to Park's ratepayers who pay the surcharge.

b. Sales Reconciliation Mechanism

In 2008, the Commission first adopted the regulatory mechanism known as the Water Revenue Adjustment Mechanism (WRAM) and the Modified Cost Balancing Account (MCBA). In adopting the WRAM/MCBA mechanisms, the Commission sought to achieve three primary goals:

- 1) To sever the relationship between sales and revenue to remove the disincentive to implement conservation rates and conservation programs;
- 2) To ensure cost savings are passed on to ratepayers; and
- 3) To reduce overall water consumption.

⁹ US Census Bureau, American Fact Finder S1903 Median Income in the Past 12 Months (In 2013 Inflation Adjusted Dollars).

The WRAMs and MCBAs are designed to ensure that the utilities and ratepayers are proportionally affected when conservation rates are implemented.¹⁰

Since this pilot program was implemented in 2009, however, an unanticipated issue has arisen due to high WRAM balances that have resulted in high WRAM surcharges. As the Commission has recognized, although the WRAM/MCBA mechanism is working, high WRAM balances have resulted due to “inaccurate sales forecasts that over-estimate consumption.”¹¹

Park’s Position

Park seeks authorization to implement a Sales Reconciliation Mechanism (SRM) to minimize the impacts associated with significant discrepancies between forecasted and actual consumption, including the substantial rate shock from high surcharges resulting from large WRAM under-collections.¹²

Specifically, the purpose of the SRM is to adjust the adopted sales forecast in the two escalation years following the test year if total sales for the prior year are more than five percent above or below the adopted test year sales. The SRM would provide for an adjustment of 50 percent of the difference.¹³ If the difference between actual and forecasted use during the prior year is not significant – less than the proposed five percent threshold level – there would be no adjustments to the forecast.

Park contends that the SRM will:

¹⁰ D.08-02-036 at 25-26.

¹¹ D.13-05-011 at 80.

¹² Ex. A-16A (David Morse Direct Testimony Re SRM in A.14-01-002), at 2.

¹³ Ex. P-16A, at 3.

- (1) Improve the accuracy of the sales forecasts adopted in this proceeding;
- (2) Reduce the potential for large balances in the WRAM balancing account;
- (3) Reduce WRAM/MCBA balances and the resultant surcharges in the two GRC escalation years (2017 and 2018);
- (4) Preserve the Commission's rate design by adjusting the residential rates within each tier rather than through surcharges;
- (5) Reduce sales related increases in subsequent GRCs (a key rate design objective is to avoid unnecessarily large adjustments in rates);
- (6) Potentially eliminate the need for Park to file an advice letter in the spring to amortize WRAM/MCBA balances; and
- (7) Reduce the likelihood of intertemporal inequity by reducing or eliminating surcharges or surcredits.¹⁴

ORA's Position

ORA strongly opposes Park's request to implement an SRM, arguing that it would allow Park to adjust rates between test years, deviating from Commission precedent and undermining the general principles outlined in the Revised Rate Case Plan for Class A water utilities.

Park also requested an SRM when it filed its GRC application for its Apple Valley Rancho (AVR) district. In Decision (D.) 15-05-038, the Commission agreed with ORA's position and stated that revisions to the ratemaking process should be addressed in an industry-wide proceeding rather than for a single utility.¹⁵

¹⁴ Ex. P-16A, at 6-7.

¹⁵ D.15-05-038, O-1, p. 12-14 and Exhibit O-3.

The Commission denied a similar request by California American Water Company's (Cal-Am) in its most recent GRC. ORA argues that in maintaining precedent and protecting ratepayers from rate increases outside the rate cycle, the Commission should deny Park's request in this proceeding.

ORA does, however, support Park's request to recover the under-collection recorded in the CARW Balancing Account as of December 31, 2014, in the amount of \$526,141, through a 12-month temporary surcharge.

Discussion

We agree with ORA's position and deny Park's request to adopt the requested Sales Reconciliation Mechanism at this time. To date, the Commission has only adopted a Sales Reconciliation Mechanism for one Class A water utility, California American Water Company, in its most recent GRC (A.12-07-007). That SRM was adopted in light of the current historic drought as part of a pilot program for the second and third escalation years (2015 and 2016)¹⁶.

c. Perchlorate Memorandum Account

Perchlorate is a contaminant that has been designated an "acute health risk" by the federal Environmental Protection Agency (EPA) and the State of California, meaning that perchlorate can have an immediate negative effect on health.¹⁷ Based on new research regarding the negative health impact of perchlorate, including its effect on infants, in February, 2015, the California EPA Office of Environmental Health Hazard Assessment lowered the public health

¹⁶ D.14-08-011, Ordering Paragraph 43, at p. 111.

¹⁷ Tr., at 195:9-26.

goal (PHG)¹⁸ for perchlorate in drinking water from 6 parts per billion (ppb) to 1 ppb. Although a PHG is not an enforceable regulatory standard, it is the starting point for the Division of Drinking Water (DDW) of the California State Water Resources Control Board in reviewing and evaluating the potential regulation of a contaminant, including the maximum contaminant level (MCL) for drinking water.¹⁹

The DDW is currently conducting a survey to determine the feasibility of reducing the detection limit for reporting (DLR) from the current 4 ppb to 0.5 ppb and reducing the MCL from 6 ppb to 1 ppb.²⁰ DDW will take the data from the survey to undertake a cost-benefit analysis in developing a revised MCL for perchlorate.²¹ DDW is expected to issue its proposed regulations lowering the perchlorate MCL within approximately two years (June 2017), with the final regulations issued approximately six months thereafter (December 2017).²²

Park's Position

Park requests authorization to establish a memorandum account to track costs to comply with the anticipated change in the regulations governing the maximum amount of perchlorate allowed in drinking water. Given that perchlorate is an acute health risk and that the PHG has been lowered to 1 ppb, Park anticipates that the MCL will be lowered from the current 6 ppb, at least to

¹⁸ The PHG is based entirely on the health effect of a contaminant. (Ex. P-1, at 146; Tr., at 196:12-18.)

¹⁹ Ex. O-1, at 12-10 to 12-11; Tr. 196:21-24.

²⁰ Ex. P-10 (Jeanne-Marie Bruno Rebuttal Testimony), at 16; Tr., at 162:20-163:5, 198:5-24.

²¹ Tr., at 198:5-24.

²² Tr., at 201:3-12, 203:16-204:2, 206:2-7.

4 ppb and possibly to the PHG level of 1 ppb.²³ As DDW regulations that change the MCL of a contaminant take effect immediately, Park must be in compliance with DDW's anticipated final regulation lowering the MCL for perchlorate to at least 4 ppb by the end of 2017.²⁴

Authorization to establish the memorandum account is sought in this GRC proceeding because Park anticipates that it will take two to four years for Park to put in place new wells to replace one to three wells that will likely be impacted by the new regulations. Putting the memorandum account in place now – instead of waiting until the next GRC or via a Tier 2 advice letter after final regulations are issued – will minimize the time required for Park to put new wells in place. This would benefit ratepayers by minimizing the period during which Park will be forced to purchase more expensive imported water, assuming it is available, to replace the water supply that will be lost when wells will be taken out of service due to high perchlorate levels.

Regardless of whether DDW lowers the MCL for perchlorate, Park anticipates incurring costs associated with perchlorate shortly. During the next 12 months – approximately June 2015 to June 2016 – Park will be forced to incur monitoring costs as well as laboratory and labor costs associated with sampling.²⁵ When DDW issues its proposed regulations, Park will determine which of its wells would be impacted if the proposed MCL becomes the final

²³ Tr., at 199:21-24.

²⁴ Ex. P-1, at 147; Tr., at 199:21-24.

²⁵ Tr., at 200:6-26.

MCL.²⁶ If the MCL is lowered to 4 ppb, one of Park's wells (Well 4B) will be affected while three of Park's wells (Wells 28B, 46C, and 4B) will be affected if the MCL is lowered to 1 ppb.²⁷

Additionally, if the new well has water quality issues, e.g., perchlorate or other contaminants like manganese or chemicals, Park may be required to build a treatment facility for the new well, which would add another eight months to a year before this new well could be brought into service.²⁸ Depending on the final MCL set by the DDW, Park expects to lose and need to find replacement for pumping capacity of between 709 and 3009 GPM until new replacement wells can be built and start pumping.

ORA's Position

ORA contends Park did not substantiate its request for establishment of a Perchlorate Memorandum Account and provided contradictory testimony in support of their position in its application and testimony during hearing regarding whether a final rule would be implemented during this rate cycle, and therefore Park's request should be denied, and Park should be directed to address this in its next GRC.

Discussion

We agree with ORA's position and deny Park's request to establish a Perchlorate Memorandum Account at this time because the MCL has not yet been lowered and any costs which may be incurred are speculative at this time.

²⁶ As Park's witness Gary Lynch testified, "I've never seen a proposed MCL altered - be altered when it became final." (Tr., at 203:8-9.)

²⁷ Tr., at 210:28-211:13.

²⁸ Tr., at 215:25-216:14.

In the event Park finds it necessary to incur specific and quantifiable costs directly resulting from a new water quality standard being set, and before any such costs are actually incurred, Park may file a petition to modify this Decision in that regard, or file a new application to establish such an account.

5. Categorization and Need for Hearing

On January 15, 2015, the Commission adopted Resolution ALJ 176-3349 which preliminarily categorized this proceeding as ratesetting and preliminarily determined that hearings are necessary. On April 10, 2015, a Scoping Memo and Ruling was issued which confirmed the categorization as ratesetting and that evidentiary hearings are necessary.

6. Comments on Proposed Decision

The proposed decision in this matter was mailed to the parties in accordance with § 311 of the Public Utilities Code and comments are allowed pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed by Park Water Company on December 14, 2015. The comments have been considered and appropriate changes have been made.

7. Assignment of Proceeding

Liane M. Randolph is the assigned Commissioner and Dan H. Burcham is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Park Water Company (Park) is a Class A water utility subject to the Commission's jurisdiction.
2. Park filed its Application on January 2, 2015.
3. On February 5, 2015, the Commission's Office of Ratepayer Advocates (ORA) filed a timely protest. Evidentiary hearings were held on June 9, 2015 in the Commission's Los Angeles courtroom.

4. On August 14, 2015, Park and ORA filed a joint motion to adopt a settlement agreement on all but three issues in this GRC.

5. The record of the proceeding is comprised of the application, testimony of the parties and all other filings.

6. The parties to the settlement adopted by this decision have a thorough understanding of the issues and the underlying assumptions and data and could therefore make informed decisions in the settlement process.

7. The settlement is a balance between the original positions of the parties and their positions as otherwise posed in the prepared testimony of the parties.

8. A revenue requirement of \$33,288,500 is justified for 2016, which represents a 6.18 percent increase over current rates.

9. Park has a residual under-collected balance of \$28,093 remaining in its Cost of Capital Memorandum Account for the period ending December 31, 2014.

10. Park has an under-collected balance in its Low-Income Customer Data Sharing Cost Memorandum Account of \$17,989 for the period ending December 31, 2014.

11. Park has a residual over-collected balance in its Credit Card Balancing Account of approximately \$5,183 for the period ending December 31, 2014.

12. A CARW credit in the amount of \$7.06 per month per residential customer is reasonable and appropriate.

13. Park has an under-collection recorded in the CARW Revenue Reallocation Balancing Account as of December 31, 2014, in the amount of \$526,141.

14. A CARW surcharge of \$7.12 per month will allow Park to recover the under-collected balance in the CARW Revenue Reallocation Balancing Account as of December 31, 2014, in 12 months, and collect the authorized surcharge for the test year of the current rate case cycle.

15. Park meets all currently applicable water quality standards.
16. Park is in compliance with the Real Property Subject to the Water Infrastructure Improvement Act of 1996.
17. Park's third-party contracts with HomeServe and its maintenance contracts with Central Basin Municipal Water District, which are subject to the Excess Capacity Decision (D.00-07-018) and Non-Tariffed Products & Services Rules in D.10-10-019 (Appendix A, Rule X) for unregulated transactions, are properly reflected in Park's revenue requirement.
18. A net-to-gross multiplier of 1.782332 is appropriate for this rate case cycle.
19. The establishment of a Sales Reconciliation Mechanism is inappropriate because it would allow for an increase in rates between rate case cycles, contrary to the principles of the Rate Case Plan for Class A water utilities.
20. The establishment of a Perchlorate Memorandum Account is premature at this time because new water quality standards have not been set, and any costs which may be incurred as the result of new water quality standards are speculative at this time.

Conclusions of Law

1. The Applicant alone bears the burden of proof to show that its requests are reasonable.
2. Rule 12.1(d) provides that the Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.
3. The settlement is reasonable in light of the record as a whole because it fairly balances the interests of the utility and ratepayers.
4. The settlement is consistent with the law because it does not contravene or compromise any statutory provisions or prior Commission decisions.

5. The settlement is in the public interest because it will ensure safe, reliable water service for customers and a reasonable return on investment for shareholders.

6. Adoption of the settlement is binding on all parties to the proceeding. However, pursuant to Rule 12.5, the settlement does not bind or otherwise impose a precedent in this or any future proceeding.

7. Park's Water Revenue Adjustment Mechanism (WRAM) and Modified Production Cost Balancing Account (MCBA) should be continued with minor modifications as identified in the settlement agreement.

8. Park should be granted a revenue requirement of \$33,288,500 for 2016.

9. Park should be permitted to recover the under-collected balance of \$526,141 in its CARW Revenue Reallocation Balancing Account for the period ending December 31, 2014, through a 12-month temporary surcharge, and thereafter close the account.

10. Park should be permitted to recover the under-collected balance of \$28,093 in its Cost of Capital Memorandum Account for the period ending December 31, 2014, through a 12-month temporary surcharge, and thereafter close the account.

11. Park should be permitted to recover the under-collected balance of \$17,989 in its Low-Income Customer Data Sharing Cost Memorandum Account for the period ending December 31, 2014, through a 12-month temporary surcharge, and thereafter close the account.

12. A CARW credit of \$7.06 per month should be approved.

13. A CARW surcharge on \$7.12 per month should be approved to collect the under-collected balance in the CARW Revenue Reallocation Balancing Account

as of December 31, 2014, in 12 months, and collect the authorized surcharge for the test year of the current rate case cycle.

14. The residual over-collected balance of approximately \$5,183 for the period ending December 31, 2014, in Park's Credit Card Balancing Account should be refunded to affected customers.

15. Park's request to establish a Sales Reconciliation Mechanism is not appropriate at this time and should be denied.

16. Park's request to establish a Perchlorate Memorandum Account is not appropriate at this time and should be denied.

17. Park meets all currently applicable water quality standards.

18. Park should file advice letters to implement increases in rates for escalation years 2017 and 2018 pursuant to the terms of this decision.

19. Agreements of the parties contained in the settlement.

20. The Commission should adopt a net-to-gross multiplier of 1.782332 for this rate case cycle.

ORDER

IT IS ORDERED that:

1. The joint motion of Park Water Company (Park) and the Office of Ratepayer Advocates to adopt the August 14, 2015 settlement is granted. The settlement agreement attached as Exhibit A is adopted.

2. A revenue requirement of \$33,288,500 for 2016 is adopted.

3. Park shall file a Tier 1 advice letter to implement increases in rates for escalation years 2017 and 2018.

4. Park Water Company is authorized to continue its Water Revenue Adjustment Mechanism (WRAM) and Modified Production Cost Balancing Account (MCBA), with the following adjustments:

- a. Commodity revenues for reclaimed water customers shall not be added to the WRAM.
- b. Purchased water reclaimed expenses shall not be added to the MCBA.
- c. Leased water rights shall be added to the MCBA for this rate cycle only, subject to a reasonableness review based on market conditions.
- d. The cost of chemicals shall be added to the MCBA.

Park Water Company is authorized and directed to file a Tier 1 advice letter to update the description of the WRAM/MCBA in Park's Preliminary statement as described in this Ordering Paragraph.

5. Park Water Company is authorized to continue to track California Alternative Rates for Water (CARW) credits and surcharges in a CARW Revenue Reallocation Balancing Account, and may file a Tier 1 advice letter requesting to amortize that account by adjusting the CARW surcharge whenever the balance in the account exceeds two percent of the last authorized revenue requirement.

6. Park Water Company is authorized to recover the under-collected balance of \$28,093 remaining in the Cost of Capital Memorandum Account for the period ending December 31, 2014, through a 12-month temporary surcharge, and thereafter close the account.

7. Park Water Company is authorized to recover the under-collected balance of \$17,989 in its Low-Income Customer Data Sharing Cost Memorandum Account for the period ending December 31, 2014, through a 12-month temporary surcharge, and thereafter close the account.

8. Park Water Company is authorized to refund to affected customers the over-collected balance in its Credit Card Balancing Account of approximately \$5,183 for the period ending December 31, 2014, and thereafter close the account.

9. A CARW credit for qualifying single family residential customers in the amount of \$7.06 per month is approved. This credit may be adjusted at the same time and by the same percentage as rates are adjusted for escalation years 2017 and 2018 by filing a Tier 1 advice letter. Park Water Company is authorized to use its CARW Revenue Reallocation Balancing Account to track the balance of collected surcharges and credits.

10. The monthly CARW surcharge is increased to \$7.12. This amount incorporates the \$526,141 under-collection in the CARW Revenue Reallocation Balancing Account as of December 31, 2014; thus there is no need for Park Water Company to file a separate advice letter to recover this under-collection. This surcharge, less the amount collected to recover the under-collected balance as of December 31, 2014, may be adjusted at the same time and by the same percentage as rates are adjusted for escalation years 2017 and 2018 by filing a Tier 1 advice letter. Park's request to establish a Sales Reconciliation Mechanism is denied.

11. Park's request to establish a Perchlorate Memorandum Account is denied. In the event Park finds it necessary to incur specific and quantifiable costs directly resulting from a new water quality standard being set, and before any such costs are incurred, Park may file a petition to modify this Decision in that regard, or file a new application to establish such an account.

12. Application 15-01-001 is closed.

This order is effective today.

Dated _____, at San Francisco, California.